Government of Saskatchewan

Annual Report 1985-86

The Saskatchewan Beef Stabilization Board

Saskatchewan
Beef Stabilization Board
Annual Report
1985-86

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Saskatchewan

Minister of Agriculture

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Saskatchewan Beef Stabilization Board

To His Honour,
The Honourable Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1986.

I have the honour to be, Sir,
Your obedient servant,

Honourable Grant Devine, Premier
Minister of Agriculture

Saskatchewan

Saskatchewan Beef Stabilization Board

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Saskatchewan Beef Stabilization Board

Honourable Grant Devine, Premier
Minister of Agriculture
Province of Saskatchewan

Sir:

I am pleased to present herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1986.

Respectfully submitted,
Boyd Anderson, Chairman
Saskatchewan Beef Stabilization Board

Saskatchewan
Beef
Stabization
Board

Chairman's Comments - 1985/86

This report covers the fourth full fiscal year of operation of the Saskatchewan Beef Stabilization Board. The general functions of the Board are to:

1. Administer two market insurance programs for cattle, known as the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

2. Provide the contract holders with a cattle selling system, organized around the central desk.

The Market Insurance Programs are based upon insurance principles. Producer premiums or levies are collected at the time of sale of each animal and the provincial government matches this levy. The plans collect levies at all times, but makes stabilization payments on participating animals only when the market price falls below the support level as determined by a percentage cost of production formula.

The central desk marketing service offers the participants different options for marketing their cattle, the objective being to get the best price possible for all contract holders.

The majority of the cattle are sold as full loads through the telephone at the central desk. The producer informs the central desk of the number of cattle, weight, sex and breed. The central desk will offer these cattle to the various Packing Plants that are in need of fat cattle. The bids will be received and transmitted back to the producers. The producer makes the final decision on the sale of his cattle. The producer has flexibility and choice within the Board's regulations.

Other approved methods of selling are: direct to local plants for small numbers, or direct to abattoirs. Cattle may also be sold live in large numbers out of the feedlots, or they may be sold live at approved auction sales. The Board insists on the producers or their agents being in touch with the central desk regardless of what method of selling is selected.

The cattle industry has had its share of problems this year. This was the second year of drought, which was very severe in the south and west. As well, the cattle market practically collapsed throughout the summer months, falling to a low of $1.12 per lb. carcass weight. A strong international demand for the grains also put pressure on the feed grain supply and prices.

This year surely tested the value of income insurance plans for cattle. Mostly due to the drought our cattle numbers declined about 10% from the previous year, dropping from 186,703 down to 167,736. There is no doubt that without the plan, the two factors of drought and poor market prices for the fat cattle, would have forced a much greater reduction in the cattle numbers in Saskatchewan. The programs provided the assistance necessary for producers to meet their financial obligations, and thus stay in business.

George Beilhartz of Prince Albert, our Board Member representing the Saskatchewan Livestock Markets Association, passed away after a brief illnes on May 10. Mr. Beilhartz had been a strong Board member, with the interest of the producers always uppermost in his mind; and he made a great contribution to our marketing system as well as all other areas of the industry.

The Board and management spent considerable time studying the Tripartite legislation Bill C25 passed by Parliament. This

is enabling legislation which will permit the Federal and Provincial Governments, along with producers, to enter an agreement on the Stabilization of cattle, premiums to be divided three ways. It is expected that some of the provinces will enter the program in 1986.

The Board and management have continued to co-operate and develop good relations with other segments of our industry such as packers, order buyers, terminal operators, bankers, etc.; as well as having management and staff holding country meetings for information purposes.

We regret that a producer who sold outside the Board's knowledge, was brought to trial, tried, convicted and fined $750.00. The program works well, it has helped many producers; but the Board expects the contract holders to follow the regulations. Because the plan is new to our producers, we do have problems. In the majority of the cases, we can straighten the difficulties out if the producer will get in touch with our office.

On the financial end, our deficit position remains the same. A large portion of our present deficit is a result of the first year of operation in 1982. The 50 purchased feeder option, and some parts of the formula with inappropriate indexes were problems that were resolved after that initial year. However our plans, especially the cow calf program, continues to carry these large interest costs.

Our Board has representation from many diverse organizations and associations. And through our Board members, or by meeting with the associations, we keep in touch with farm opinion. The following have represenation on our board:

Sask Cattle Feeders Association
National Farmers Union
Western Canada Cow-Calf Association
Sask Stockgrowers Association
Sask Association of Rural Municipalities
Sask Livestock Market Association

As Chairman, I believe we are operating efficiently. I receive very few phone calls, letters or complaints; and have had many contract holders tell me personally that the plans have been of great benefit to them.

In my opinion the administration is working well, and problems are being resolved in a just, equitable, and courteous manner.

We have a good working relationship with other government departments, especially so with the agricultural representative service and the brand inspectors. With the co-operation of the brand inspectors and the Saskatchewan Livestock Markets Association, we were able to work out a satisfactory system of settlement on Board cattle being sold live at auction markets.

No one knows for sure what the future holds, but if the grain industry gets into more serious trouble, we have established a good nucleus for a much greater livestock feeding industry to dispose of the grain surpluses. The two income insurance plans have given some much needed security to producers, feedlot operators, and the packing industry; and are assisting in the diversification of our agriculture sector.

Boyd Anderson
Chairman
Saskatchewan Beef Stabilization Board

Board Personnel

Board of Directors

Mr. Boyd Anderson, Chairman ..... Fir Mountain
Mr. W.G. (Bud) Morken, Vice-Chairman ..... Sturgis
Mr. George Beilhartz (Deceased) ..... Prince Albert
Mr. Errol Cochrane ..... Fort Qu'Appelle
Mr. Lorne Cholin ..... Kerrobert
Mr. Rudy Jurke ..... Lloydminster
Mr. Bernard Kirwan ..... Gull Lake
Mr. Frank Lockwood ..... Davidson
Mr. Orville Thompson ..... Carnduff
Mr. Evans Thordarson ..... Mozart

Board Changes During the Year

On May 10, 1985 Mr. George Beilhartz of Prince Albert passed away. In January, 1986, Saskatchewan Agriculture Minister Grant Devine announced the appointment of Mr. Ed. Wirtz of Rosetown as a Director of the Saskatchewan Beef Stabilization Board, replacing Mr. Frank Lockwood of Davidson.

Staff

Jim Stalwick ..... General Manager
Stewart Stone ..... Manager, Finance & Administration
Harry Long ..... Marketing Manager

The Board also employed a total of 21.5 full-time and temporary staff as of March 31, 1986.

Operations Data

	1985/86	1984/85
Total S.B.S.B. cattle marketings	167,736	186,703
Active Production Units		
Cow Calf to Finish Market Insurance Plan	2,896	2,923
Feeder to Finish Market Insurance Plan	1,088	942
Animals Stabilized		
Cow Calf to Finish Market Insurance Plan	90,709	100,485
Feeder to Finish Market Insurance Plan	63,273	74,677
Saskatchewan Sales of Steers & Heifers		
Totals Sales	249,610	282,740
S.B.S.B. % of Total Sales	67.2%	66.0%

1985/86 Marketings by Destination	Total Saskatchewan		S.B.S.B.	
	No. Head	%	No. Head	%
Saskatchewan	163,570	65.5	103,198	61.5
Manitoba	76,270	30.6	58,330	34.8
Alberta	5,780	2.3	4,766	2.8
Ontario	3,240	1.3	1,442	0.9
U.S.A.	330	0.1	—	—
Others	420	0.2	—	—
	249,610	100.0	167,736	100.0

Weekly Volume Highlights (No. Head)	
High-week ending Aug. 16, 1985	4,967
Low-week ending April 5, 1985	1,675
Average weekly volume	3,235
Weekly Average Rail Grade Price	
High-week ending Dec. 8, 1985	1.45
Low-week ending August 11, 1985	1.14

Saskatchewan
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Board

Operations - 1985/86

Industry Review

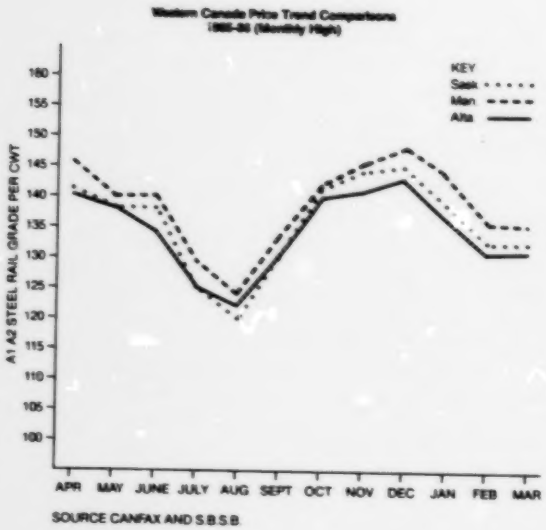
The Saskatchewan cow herd declined slightly in 1985-86, continuing the trend experienced in both Saskatchewan and Canadian cow herds since 1975. Statistics Canada reports the cow herd in Saskatchewan as of January 1, 1986 at 760,000 cows, down approximately 15,000 cows from one year earlier. Over the year our share of the Canadian beef cow herd increased marginally from 25.6 percent to 25.8 percent.

Per capita consumption of beef recorded an increase in 1985 to 85.5 pounds from 84.5 pounds in 1984. This increase is significant in view of the trend over the previous ten years of declining per capita consumption of beef. Pork consumption was also up from 61.5 pounds to 62.8 pounds while the largest increase of 3.2 pounds per capita was recorded in poultry products which reached the level of 55.3 pounds in 1985.

Provincial agriculture experienced severe drought problems for the second straight year. Local grazing and feed supplies were again limited and these shortages were reflected in hay and barley prices. However, feed prices did begin to decline towards the end of the 1985-86 year.

Market prices for slaughter animals were generally soft throughout the 1985/86 year, comparable to the weak market prices experienced in 1984/85. Average weekly prices fluctuated from a high in December of $1.45 per pound to a low in August of $1.14 per pound. The price collapse occurred during the summer months in 1985, a period of high marketing volumes.

In 1985-86 the number of steers and heifers



being fed to slaughter weight in Saskatchewan dropped slightly from the previous year as calves and unfinished animals were sold for lack of feed and pasture as a result of drought. However, despite the drought conditions experienced in many parts of the province, Saskatchewan still managed to finish steer and heifer production at 32% of the cow herd in 1985. This compares to steer and heifer production of approximately 20% in 1979, 1980 and 1981. The trend was dramatically reversed in 1982, back up to 30.7%. Since that time the output of slaughter steers and heifers has been increasing, even in the face of a declining cow herd, to 1984-85 levels of slightly over 34% of the cow herd. The turnaround in Saskatchewan origin slaughter steers and heifers is reflected in the relative healthiness and optimism of our feedlot industry and packing plants.

Participation

Records for the 1985-86 year indicate a net increase in total contracts registered in both programs over the previous year. Registration in the Cow Calf to Finish Program remained relatively constant at 2900 production units, representing approximately 5000 producers. By March 31, 1986, 1088 production unit contracts were registered in the Feeder to Finish Program, a net increase of 146 contracts from the end of the prior year.

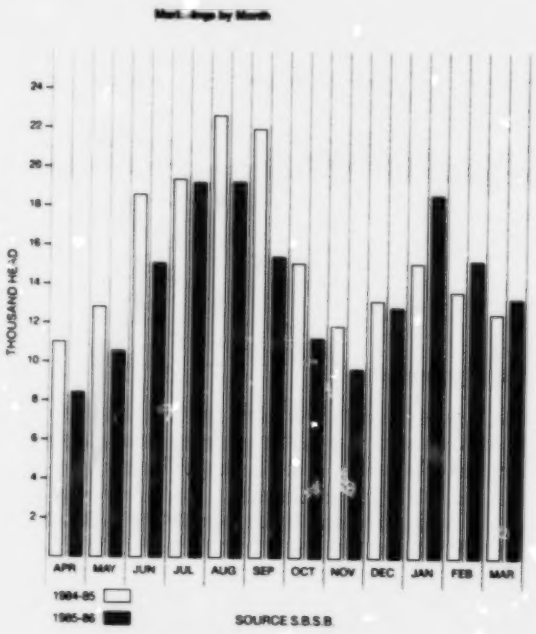
Producers with less than 100 head accounted for 86.3% of contracts but only 44% of cattle marketed. Producers with between 100 head and 1000 head accounted for 13.3% of contracts and 45% of cattle delivered. Only .4% of contracts and 11% of cattle delivered came from producers with greater than 1000 head.

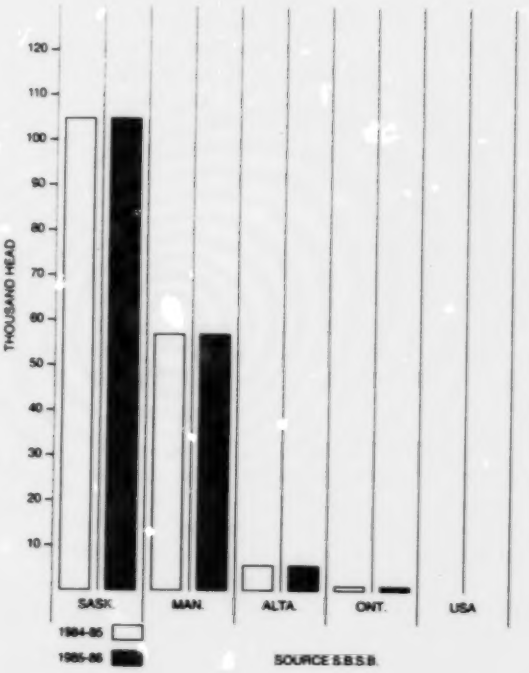
During the 1985-86 fiscal period, the Saskatchewan Beef Stabilization Board marketed 167,736 head, or 67.2% of the total Saskatchewan origin steers and heifers. This represented a decrease of 18,967 head and 10.2% respectively over the prior fiscal year. As stated earlier, producers selling unfinished animals due to shortage of feed and financial considerations accounted for the decrease.

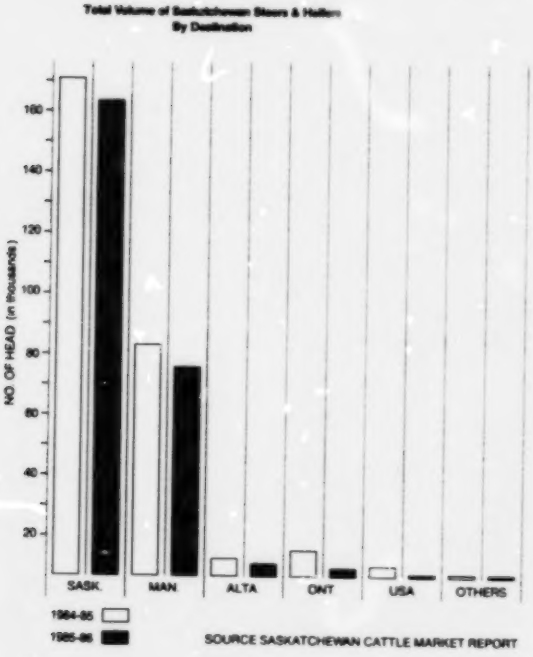
Finished Marketings

Producers have the option of marketing animals eligible for stabilization in full loads through the Central Marketing Desk, in small lots delivered direct to packing plants, on a live weight basis through auction, and by making their own arrangements through abattoirs. The majority of cattle marketed through the Saskatchewan Beef Stabilization Board were on a daily tender requiring bids on a rail grade basis. Approximately 7% were sold through abattoirs while 4.05% were sold on a liveweight basis.

During the 1985-86 year, the Board received bids on cattle from slaughter plants in Saskatchewan, Manitoba, Alberta, Ontario and U.S.A. Saskatchewan meat processors purchased 61.5% of cattle marketed through the Saskatchewan Beef Stabilization Board. Of the balance 34.8% went to Manitoba, 2.8% to Alberta and 0.9% to Ontario







Administration

In 1985-86 the Board continued it's efforts to keep producers informed on the programs, important regulations and industry developments. In addition to newsletters, a series of nine public meetings were held throughout the province. The public meetings were well attended and topics discussed included principles of the market insurance programs, marketing procedures and alternatives, the proposed national tri-partite program and a general update on the Saskatchewan Plans. Emphasis was again given to responding to producer questions and concerns on each of the plans.

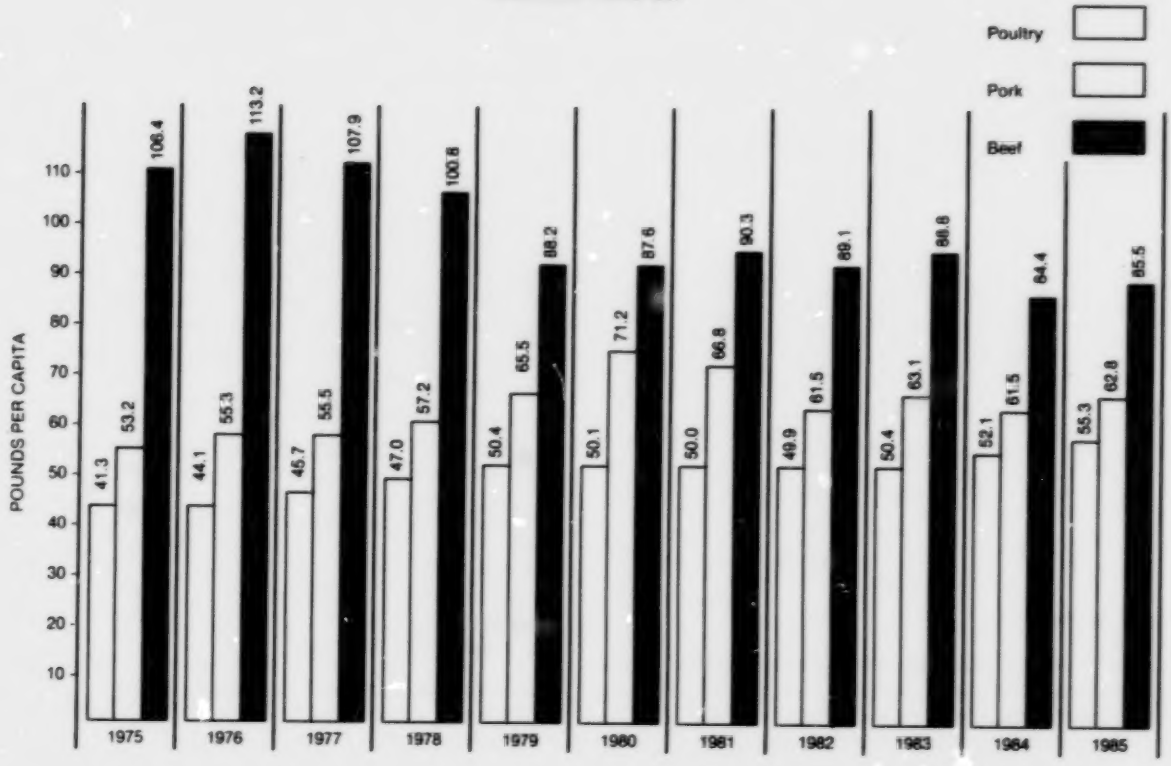
Agricultural Representative "office days" were held for the first time in February, and March, 1986. Board staff travelled to 31 selected Ag. Rep. offices and were available for private meetings with producers regarding participation in the Beef Market Insurance Plans. Approximately 190 producers met with staff at these meetings. In addition, the Board's part-time Field Staff made approximately 600 on-farm visits to slightly less than 20% of the contract holders.

Board committees met regularly throughout the year to deal with producer concerns, regulation interpretation and financial review.

An Appeals Committee, composed of individuals appointed by the Minister of Agricuture, is available to those parties who wish to appeal a Board interpretation or decision. The Appeals Committee did not convene during the year.

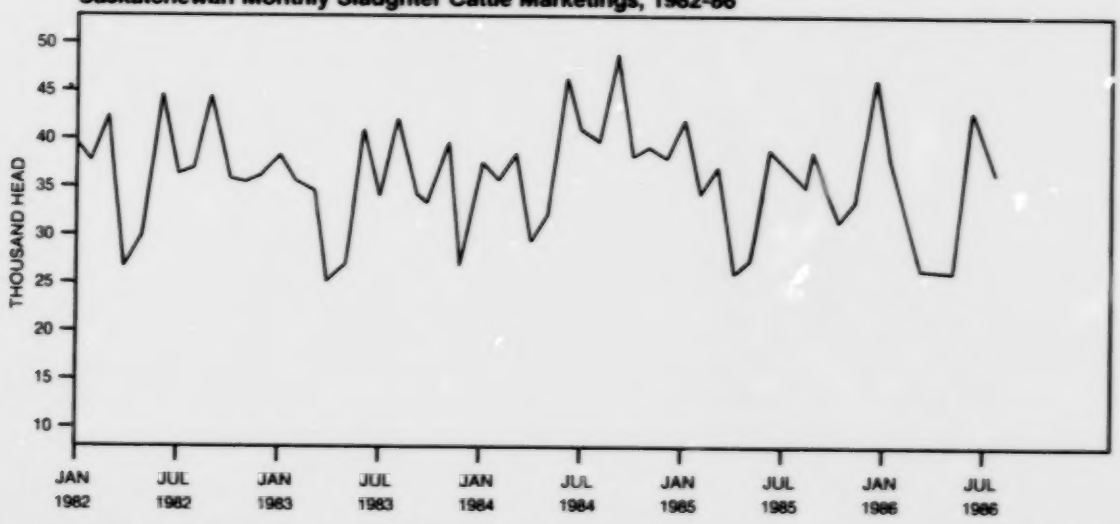
The 1985-86 year saw a continuation of the Board's efforts to provide relevant and timely information to producers. The Board's computerized data base has provided valuable statistical information important in the development of the Saskatchewan cattle industry.

Beef, Pork, and Poultry Consumption
Canada 1975-85



SOURCE STATISTICS CANADA, Handbook of Food Expenditures

Saskatchewan Monthly Slaughter Cattle Marketings, 1982-86



SOURCE SASKATCHEWAN CATTLE MARKET REPORT

Saskatchewan
Beef
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Board

Saskatchewan
Beef Stabilization Board

Financial Statements

Year Ended March 31, 1986

Office of the Provincial Auditor
Regina, Saskatchewan

Saskatchewan
Beef
Stabilization
Board

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Saskatchewan Beef Stabilization Board as at March 31, 1986 and the statements of revenue, expenditure and surplus and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
July 31, 1986

W.G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

Saskatchewan Beef Stabilization Board
Balance Sheet
March 31, 1986

		1986		1985
ASSETS				
Current Assets:				
Cash		$ 439,781		$ 333,728
Accounts receivable:				
- Department of Agriculture		74,515		109,553
- Accrued interest		38,738		30,998
- Miscellaneous		42,563		43,553
		595,597		517,832
Fixed assets (Notes 1 (b) and 5)		353,136		407,715
Producers' trust fund assets:				
Cash	$2,277,161		$1,444,859	
Accounts receivable	1,212,854	3,490,015	711,626	2,156,485
		$4,438,748		$3,082,032
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable		$ 32,948		$ 38,413
Producers' trust fund liabilities:				
Due to producers	$2,966,320		$1,693,414	
Due to Cow Calf to Finish Market Insurance Plan	325,696		247,138	
Due to Feeder Finish				
Market Insurance Plan	112,435		153,349	
Other	85,564	3,490,015	62,584	2,156,485
Deferred revenue — government assistance (Note 1 (d))		42,000		56,000
Equity:				
Surplus (Statement 2)		873,785		831,134
		$4,438,748		$3,082,032

(See accompanying notes to the financial statements)

Statement 2

Saskatchewan Beef Stabilization Board
Statement of Revenue, Expenditure and Surplus
For the Year Ended March 31, 1986

	1986	1985
Revenue:		
Interest	$ 383,807	$ 491,946
Marketing fees	425,757	463,322
Department of Agriculture		
- administration grant	329,800	311,874
- feeder finish program development grant (note 1 (d))	14,000	14,000
Insurance commissions	28,001	36,884
Miscellaneous	224	5,895
	$1,181,589	$1,323,921
Expenditure:		
Salaries and employee benefits	627,896	643,757
Communications	107,755	123,302
Amortization	105,660	93,600
Directors' honoraria and travel	67,624	75,646
Fieldman per diem and travel	34,659	39,808
Computer services	32,750	29,914
Office supplies	26,742	32,291
Computer maintenance	23,609	33,707
Travel and sustenance	18,596	10,800
Investigations	17,255	—
Producer information	16,917	6,786
Miscellaneous	16,666	16,536
ASA 90	14,149	—
Dues and subscriptions	11,663	18,540
Accounting and legal	9,362	3,154
Bank charges	7,040	16,687
Depreciation	595	717
	1,138,938	1,145,245
Excess of revenue over expenditure	42,651	178,676
Surplus, beginning of year	831,134	652,458
Surplus, end of year	$ 873,785	$ 831,134

(See accompanying notes to the financial statements)

Statement 3

Saskatchewan Beef Stabilization Board
Statement of Changes in Cash Position
For the Year Ended March 31, 1986

	1986	1985
Cash provided by operations:		
Excess of revenue over expenditure	$ 42,651	$178,676
Add charges to operations not requiring an outlay of cash:		
Amortization and depreciation	106,255	94,317
Amortization of deferred revenue	(14,000)	(14,000)
Other	—	(141)
	134,906	258,852
Net change in non-cash working capital	22,823	(11,731)
Cash from operations available for capital expenditure	157,729	247,121
Cash used for capital expenditures:		
Acquisition of fixed assets	51,676	74,564
Increase in cash	106,053	172,557
Cash, beginning of year	333,728	161,171
Cash, end of year	$439,781	$333,728

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board
Notes to Financial Statements
March 31, 1986

1. **Significant Accounting Policies**

   (a) Revenue Recognition

   Marketing fee revenue is recognized on the basis of slaughter date.

   (b) Fixed Assets

   Equipment is recorded at cost less accumulated depreciation; maintenance and repairs are charged against operations as incurred.

   Equipment is depreciated over its estimated useful life on the diminishing balance method at 20% per annum.

   Capitalized computer hardware and software development costs are depreciated over their estimated useful lives on the straight-line method at 20% per annum.

   (c) Producers Trust Fund

   The producers' trust fund has been established to account for receipts from packers on account of beef purchases by the packers from the producers and to make payments to producers, truckers, and assemblers.

   (d) Deferred Revenue - Government Assistance

   Deferred revenue represents the unamortized portion of funds received from the Department of Agriculture to partially finance the development expense of the Feeder Finish Market Insurance Plan. Amortization is calculated at 20% per annum on the straight-line basis to correspond with depreciation and amortization of computer hardware and software costs.

2. **Incorporation**

   The Board was established under The Beef Stabilization Act 1980-81, C. B-0.1 and commenced operations on January 1, 1982. The Board's main function is to market beef on behalf of producers and to administer the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

3. **Cow Calf to Finish Market Insurance Plan and Feeder Finish Market Insurance Plan**

   The Board administers the above plans which form part of The Saskatchewan Agricultural Returns Stabilization Fund established under Section 5 of The Saskatchewan Agricultural Returns Stabilization Act. Stabilization transactions are therefore included in the financial statements of The Saskatchewan Agricultural Returns Stabilization Fund.

4. **Related Party Transactions**

   Related parties to the Board are Saskatchewan's Crown controlled departments, agencies and corporations.

   (a) Transactions at market value.

   Transactions entered into with related parties for purchase of supplies and services such as telephone and computer services are recorded at normal market prices.

   (b) Costs borne by other agencies.

   The Board has not been charged with any occupancy costs nor has any provision for such costs been reflected in these financial statements.

5. **Fixed Assets**

   The costs and related accumulated depreciation and amortization are:

	Cost	Accumulated Depreciation and Amortization	1986 Net Book Value	1985 Net Book Value
Office equipment	$ 5,298	$2,884	$ 2,414	$ 3,008
Computer hardware	264,326	100,470	163,856	196,718
Computer software	285,656	98,790	186,866	207,989
	$555,280	$202,144	$353,136	$407,715

Five Year Summary — unaudited

	1985-86	1984-85	1983-84	1982-83	1982*
Number of Head	167,736	186,703	196,173	187,826	45,307
Revenues	1,181,589	1,323,921	1,147,562	1,367,553	292,649
Expenses	1,138,938	1,145,245	983,195	958,043	214,068
Excess of Revenue over Expenses	42,651	178,676	164,367	409,510	78,581
Current Assets	4,085,572	2,674,317	3,918,066	4,666,599	6,037,610
Current Liabilities	3,522,963	2,194,898	3,622,935	4,434,174	5,962,352
Plant and Equipment Additions	51,676	74,564	172,345	253,197	3,498
Depreciation and Amortization	106,254	94,177	684	854	175
Average Number of Employees	21.5	21.5	18	18	13

** Jan. 1, 1982 to Mar. 31, 1982*